

163-0518-2015

**Approval of Workers Compensation Excess Coverage and  
Claims Management Contracts**

May 11, 2015

The Honorable Mayor Ellison and  
Members of the City Commission:

The city self-insures for workers' compensation coverage, which is required under Michigan law. Historically, the city has retained an outside firm to manage claims and has purchased a high deductible policy to cover potentially large claims. Director of Finance Julie Rudd, Human Resources Director Mary Jo DiPaolo, and I recently met with Mark Sledzinski of IBEX Insurance; the Regional Risk Manager for the Municipal Risk Management Authority to discuss proposals for these two items.

We just completed a two-year agreement with CMI for claims management, and are recommending renewing with them for another two years. We have had a good experience with them, and Mr. Sledzinski is recommending that we continue with them as well. Their proposed rate increases would be 3.75% in the first year and 6.34% in the second year as compared to this year (Attachment 1). You will note that costs are presented as estimated in the resolution. This is because the actual fee is based on a rate per \$100 of payroll.

Mr. Sledzinski has obtained a series of proposals for excess coverage for 2015-16 from both Safety National Casualty Company (the city's current excess carrier) and Midwest Employers Casualty Company. Safety National has submitted a one-year proposal with a \$600,000 self-insured retention at a cost of \$78,176 (Attachment 2). Midwest Employers submitted six two-year proposals with varying self-insured retentions and aggregate loss limitations. Midwest's cost to maintain our current \$600,000 self-insured retention and \$600,000 aggregate loss limitation would be \$53,231 (Attachment 3). This represents a significant percentage-based cost savings over our current provider for the same coverage. It is proposed as a two-year agreement, so savings would extend to the second year as well.

Mr. Sledzinski has recommended that the city accept the two-year coverage agreement with Midwest Employers Casualty Company. He has informed us that Midwest has an excellent reputation. We agree with his recommendation.

We recommend the following resolutions for adoption:

**Be It Resolved**, the City Commission hereby accepts the proposal from CMI to provide claims management services for the period of June 1, 2015 to June 1, 2017 at an estimated cost of \$39,748 in year one and \$40,742 in year two, and approves purchase orders for those amounts; and

**Be It Further Resolved**, the City Commission hereby accepts the proposal from Midwest Employers Casualty Company to provide excess workers' compensation insurance for the period of June 1, 2015 to June 1, 2017 at an annual cost of \$53,231, and approves a purchase order in that amount; and

**And, Be It Finally Resolved**, the Assistant to the City Manager is hereby authorized to execute both contracts and any related coverage documents on behalf of the city.

Respectfully submitted,  
Stewart Meek  
Assistant to the City Manager

Approved,

A handwritten signature in black ink, appearing to read "Donald E. Johnson". The signature is written in a cursive, flowing style.

Donald E. Johnson  
City Manager

3 Attachments



## CITY OF ROYAL OAK

Contract Term: 6/1/2015 6/1/2017

Term	Two- Year	Two-Year	
	Expiring	Renewal	
		Year 1	Year 2
Total Estimated Fee-based on estimated annual Payroll of \$22,529,112	\$37,728	\$39,748	\$40,742
Fee as a rate per \$100 of Payroll	17.01%	17.64%	18.08%
Percent Change from Expiring		3.75%	6.34%
Minimum Fee	\$32,069	\$33,786	\$34,630
Loss Prevention Days Purchased	3	3	3

**Service Contract Includes:**

Claim handling to conclusion.

Medical Fee Schedule and Usual & Customary Review.

Access to on-staff nurse consultant on claim issues.

PPO Networks: Referral of bills to PPO networks for additional savings at 25% cost of savings.

Medicare Reporting to CMS

**Terms:**

The estimated claim fees will be adjusted based on payroll audit.

Additional Loss Control days are available at \$1,100 per day or \$137.50 per hour. Industrial Hygiene is available for \$1,200 per day or \$150.00 per hour.

If for any reason this contract is canceled or non-renewed, there will be no additional fee for 12 months beyond cancellation or non-renewal. Beginning 12 months after cancellation or non-renewal date, there will be a \$600/per claim/per year or partial year charge, for each claim that remains open.

Payment terms: Annual, Semi-annual, or Quarterly.

# Attachment 2

## Safety National Casualty Corporation

1832 Schuetz Road

St. Louis, MO 63146

PHONE # (314) 995-5300

FAX # (314) 995-3843

TO:	IBEX INSURANCE AGENCY	ATTN:	Ms. Jan Gibson
PHONE:	(248) 537-0470	FAX:	(248) 538-0471
FROM:	Vanessa Annunziata	DATE:	03/10/2015

### EXCESS WORKERS' COMPENSATION INSURANCE QUOTATION

Name of Risk: CITY OF ROYAL OAK
Account: 6026374 Previous Policy Number: AGC4050870
Specific & Aggregate Excess

Contract Terms	Option 1061406505
Liability Period	06/01/2015 - 06/01/2016
Payroll Reporting Period	06/01/2015 - 06/01/2016
Payroll	\$ 22,529,112
Manual Premium	\$ 447,244
Experience Modification Factor	1.000
Standard Premium	\$ 447,244
Self-Insured Retention	\$ 600,000
Specific Limit	Statutory
Employers Liability Limit	Per Occ \$ 1,000,000
Loss Fund Rate	Rate % Std Premium 340.00 %
Estimated Loss Fund	\$ 1,520,630
Minimum Loss Fund	Est. x 97.00% \$ 1,475,011
Aggregate Excess Limit	\$ 5,000,000
Loss Limitation	\$ 600,000
Premium Rate	Rate \$100 Payroll \$ 0.347
Deposit Premium	\$ 78,176
Minimum Premium	\$ 75,831
Pay Plan	SEMI ANNUAL

\*Quote expires 1 day after Payroll Reporting Period effective date for each Quote Option.



## Excess Workers Compensation Quotation Sheet

Insured: City Of Royal Oak  
Policy #:

Policy Effective Date: 06/01/2015  
Quote Date: 03/30/2015  
Quote Expiration Date: 60 Days

POLICY TERMS	QUOTE OPTIONS					
	0194335	0194701	0194362	0194750	0194751	0194752
Named States	MI	MI	MI	MI	MI	MI
<b><u>SPECIFIC:</u></b>						
Specific Limit	STATUTORY	STATUTORY	STATUTORY	STATUTORY	STATUTORY	STATUTORY
Specific Retention	\$600,000	\$650,000	\$700,000	\$600,000	\$650,000	\$700,000
<b><u>EMPLOYERS LIABILITY:</u></b>						
Employers Liability Limit	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Employers Liability Retention	See Specific	See Specific	See Specific	See Specific	See Specific	See Specific
<b><u>AGGREGATE:</u></b>						
Aggregate Limit	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Rate as a % of Normal Premium	256.35%	262.83%	268.38%	230.72%	236.55%	241.54%
Estimated Aggregate Retention	\$1,248,466	\$1,280,024	\$1,307,054	\$2,247,287	\$2,304,073	\$2,352,677
Minimum Aggregate Retention	\$1,223,496	\$1,254,424	\$1,280,912	\$2,202,341	\$2,257,991	\$2,305,623
Aggregate Loss Limitation	\$600,000	\$650,000	\$700,000	\$600,000	\$650,000	\$700,000
<b><u>RATING BASE:</u></b>						
Est. Annual Payroll	\$22,529,112	\$22,529,112	\$22,529,112	\$22,529,112	\$22,529,112	\$22,529,112
Est. Annual Manual Premium	\$487,016	\$487,016	\$487,016	\$487,016	\$487,016	\$487,016
Length of Policy (Years)	1.000000	1.000000	1.000000	2.000000	2.000000	2.000000
Est. Policy Normal Premium	\$487,016	\$487,016	\$487,016	\$974,032	\$974,032	\$974,032
Rate as a % of Normal Premium	10.93%	10.05%	9.32%	11.2%	10.3%	9.55%
<b><u>PREMIUM:</u></b>						
Total Est Policy Prd Premium (including Flat Charges)	\$53,231	\$48,945	\$45,390	\$109,092	\$100,326	\$93,020
Policy Minimum Premium	\$47,908	\$44,051	\$40,851	\$98,182	\$90,293	\$83,718
Deposit Premium	\$53,231	\$48,945	\$45,390	\$54,546	\$50,163	\$46,510
Deposit Flat Charge(s)	NA	NA	NA	NA	NA	NA
<b>Total Deposit Due</b>	<b>\$53,231</b>	<b>\$48,945</b>	<b>\$45,390</b>	<b>\$54,546</b>	<b>\$50,163</b>	<b>\$46,510</b>
Terrorism Risk Ins Act of 2002 (incl in Total Deposit Due above)	\$1,597	\$1,468	\$1,362	\$1,636	\$1,505	\$1,395

### CONDITIONS / COMMENTS:

\* MECC must be notified of any aircraft changes occurring during the policy period.